

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

4 January 1963

T H E W E E K I N B R I E F
 (Information as of 1200 EST 3 Jan)

CONGO Page 1 25X1

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The UN is continuing to apply military pressure to induce Tshombé to implement the UN reintegration plan. After quickly winning control of Elisabethville, Kipushi, and Kaminaville against only limited Katangan resistance, UN forces moved on toward the key mining towns of Jadotville and Kolwezi. The Katangan leader has posed the threat of all-out war and a "scorched earth" policy, but he has so far sought to avoid a major confrontation with UN forces. In Leopoldville, Adoula has finally recessed Parliament, and is pressing for the establishment of a central government presence in southern Katanga.

CUBAN DEVELOPMENTS Page 3 25X1

The Castro regime's fourth anniversary celebrations on 2 January featured an impressive display of Soviet-made military equipment and a speech by Fidel Castro in which he stressed Cuba's own defiant stand against the threats of "imperialist aggression" and its continuing adherence to the Sino-Soviet bloc. In his first public reference to the Sino-Soviet dispute, Castro in effect appealed for an end to "public discrepancies." Castro also stressed his regime's continuing determination to be the spearhead for the spread of Communism in Latin America. The military parade preceding the speech was chiefly notable for the display of surface-to-air and coastal defense cruise missiles. He stated that Cubans are being trained in their operation. There have been no signs of a reduction in the Soviet military presence in Cuba.

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SOVIET FOREIGN POLICY DEVELOPMENTS Page 5 25X1

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Khrushchev's relatively restrained pronouncements on the New Year suggest that the Soviet leaders are still reassessing their policies in the aftermath of the Cuban venture. Moscow's stress on the importance of improving US-Soviet relations is being accompanied by increased efforts by Soviet diplomats abroad to expand contacts with US officials. Moscow's anti-US propaganda campaign over the past two months, which clearly contradicts its international posture, is aimed primarily at tightening internal controls. Although Khrushchev's greetings to President Kennedy voiced hope that the new year would see a great improvement in relations, Moscow has attacked the "warlike statements" in the President's 29 December speech to the Cuban refugees in Miami.

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YUGOSLAV POLICIES AFTER TITO'S SOVIET VISIT Page 7

In policy statements on 29 and 31 December, his first since returning from the USSR, Tito indicated that Yugoslavia's

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domestic and foreign policies are to remain generally unchanged. Although a greater effort will be made to avoid offending the Soviet bloc, nonalignment will continue as the cornerstone of Belgrade's foreign policies. Tito's main intent in his speeches was apparently to redirect public and regime attention to his broad plans for revitalizing the party and government. [REDACTED]

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COMMUNIST CHINA CONTINUES LARGE-SCALE PURCHASES OF GRAIN . Page 8

Peiping's purchase of 1.36 million tons of wheat--announced on 28 December--brings its total grain purchases from Australia since 1960 to over 5 million tons. Since beginning large-scale grain purchases from the West in late 1960, China has contracted to buy about 14 million tons of grain valued at about \$900 million. Thus far it has met its payments obligations, offsetting the strain on its thin reserves of foreign exchange by drastic trade adjustments. [REDACTED]

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SOVIET-INDONESIAN FINANCIAL NEGOTIATIONS Page 9

After stalling for three months, the Kremlin apparently has agreed to revise the schedule for repayment of Indonesia's debts to the Soviet Union. In a recent letter to Sukarno, Khrushchev stated that the USSR was ready to do "everything possible" to help Indonesia pay off its debts, including stretching out the repayment period over 20 to 25 years as requested by Djakarta. Khrushchev said a Soviet economic team would arrive in Indonesia in January to work out details of repayment. Moscow probably sees little to gain in continuing to avoid a settlement of the debt issue on Indonesia's terms and may view concessions as the only way to maintain its Indonesian aid programs intact. [REDACTED]

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INDONESIA AIMING STRONGER EFFORT AGAINST MALAYSIA Page 10

Indonesia's involvement and objectives in the northern Borneo territories have become clearer since the short-lived Brunei revolt. Along with an intensified diplomatic effort on behalf of the rebels, the Indonesians plan to train rebel guerrillas and provide safe-haven for them. Meanwhile the real attitude of the Sultan of Brunei appears equivocal. [REDACTED]

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STRAINS ON EGYPT'S ECONOMY Page 11

The Egyptian economy is again under severe strain, primarily as a result of overambitious development spending. The cost of military operations in Yemen so far has added only in a minor way to the financial pressure. Cairo's tight foreign exchange position will probably improve considerably by late February or early March when export receipts from the favorable 1962 cotton and rice crops begin to accumulate. [REDACTED]

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DEVELOPMENTS IN ALGERIA Page 12 25X1

The Ben Bella government appears to be making an effort to improve relations with France and the US. As for domestic affairs, the government is encountering difficulty in establishing a workable budget and has made little progress toward bringing the army under civilian control.

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COMMON MARKET RELATIONS WITH AFRICA Page 13

The Common Market and 18 African states have initialed a new association agreement after nearly two years of study. The convention calls for \$730 million in aid for Africa over the next five years, and establishes institutional ties which may facilitate continued European influence in Africa. It will, however, increase complaints that the EEC is discriminating against nonassociated underdeveloped nations, and there is already some African criticism that EEC association is a new form of colonialism.

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FINNISH ARMS PURCHASES Page 17

The Finnish Government during the past year has accelerated its efforts to acquire modern arms for Finland's small, treaty-restricted defense forces. The impetus for this modernizing effort was provided largely by the Soviet note of October 1961, which invoked the 1948 Mutual Assistance Treaty to ask consultations on an alleged threat by West Germany and NATO to Finland's neutrality. Helsinki has indicated that it intends to pursue a "neutral" arms procurement policy, but economic and political considerations are likely to influence it to weight these purchases in favor of the Soviet Union.

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DOMINICAN GOVERNMENT MOVES AGAINST REBELLIOUS CULT Page 19 25X1

The 28 December expedition by Dominican police and military personnel to disperse a fanatical religious group seems to have been for the purpose of establishing government authority. The violence resulted in at least 45 deaths and several hundred arrests. There is no proof that the incident had any political significance, despite official Dominican claims and rumors to the contrary.

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SPECIAL ARTICLE

DEVELOPMENT OF THE EUPHRATES BASIN Page 1

Turkey, Syria, and Iraq are beginning to cooperate in planning for use of the water of the Euphrates River and its tributaries to expand agricultural production and generate more electric power. Turkey, which controls the headwaters of the Euphrates, has plans for water storage and irrigation on a large scale, while Syrian leaders have come to count on their own Euphrates project for the country's future economic growth. The Iraqis have constructed elaborate flood control and irrigation projects, and are to build more with Soviet assistance. Political and economic considerations, meanwhile, are involving Western governments as well as the USSR in this regional problem.

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